

CHAPTER IV

A NEW AMERICAN EXPERIMENT: PARTNERSHIP FOR THE PUBLIC GOOD

295. For over two hundred years the United States has been engaged in a bold experiment in democracy. The founders of the nation set out to establish justice, promote the general welfare, and secure the blessings of liberty for themselves and their posterity. Those who live in this land today are the beneficiaries of this great venture. Our review of some of the most pressing problems in economic life today shows, however, that this undertaking is not yet complete. Justice for all remains an aspiration; a fair share in the general welfare is denied to many. In addition to the particular policy recommendations made above, a long-term and more fundamental response is needed. This will call for an imaginative vision of the future that can help shape economic arrangements in creative new ways. We now want to propose some elements of such a vision and several innovations in economic structures that can contribute to making this vision a reality.

296. Completing the unfinished business of the American experiment will call for new forms of cooperation and partnership among those whose daily work is the source of the prosperity and justice of the nation. The United States prides itself on both its competitive sense of initiative and its spirit of teamwork. Today a greater spirit of partnership and teamwork is needed; competition alone will not do the job. It has too many negative consequences for family life, the economically vulnerable, and the environment. Only a renewed commitment by all to the common good can deal creatively with the realities of international interdependence and economic dislocations in the domestic economy. The virtues of good citizenship require a lively sense of participation in the commonwealth and of having obligations as well as rights within it.(1) The nation's economic health depends on strengthening these virtues among all its people and on the development of institutional arrangements supportive of these virtues.(2)

297. The nation's founders took daring steps to create structures of participation, mutual accountability, and widely distributed power to ensure the political rights and freedoms of all. We believe that similar steps are needed today to expand economic participation, broaden the sharing of economic power, and make economic decisions more accountable to the common good. As noted above, the principle of subsidiarity states that the pursuit of economic justice must occur on all levels of society. It makes demands on communities as small as the family, as large as the global society, and on all levels in between. There are a number of ways to enhance the cooperative participation of these many groups in the task of creating this future. Since there is no single innovation that will solve all problems, we recommend careful experimentation with several possibilities that hold considerable hope for increasing partnership and strengthening mutual responsibility for economic justice.

A. Cooperation within Firms and Industries

298. A new experiment in bringing democratic ideals to economic life calls for serious exploration of ways to develop new patterns of partnership among those working in individual firms and industries.(3) Every business, from the smallest to the largest, including farms and ranches, depends on many different persons and groups for its success: workers, managers, owners or

shareholders, suppliers, customers, creditors, the local community, and the wider society. Each makes a contribution to the enterprise, and each has a stake in its growth or decline. Present structures of accountability, however, do not acknowledge all these contributions or protect these stakes. A major challenge in today's economy is the development of new institutional mechanisms for accountability that also preserve the flexibility needed to respond quickly to a rapidly changing business environment.(4)

299. New forms of partnership between workers and managers are one means for developing greater participation and accountability within firms.(5) Recent experience has shown that both labor and management suffer when the adversarial relationship between them becomes extreme. As Pope Leo XIII stated, "Each needs the other completely: Capital cannot do without labor nor labor without capital."(6) The organization of firms should reflect and enhance this mutual partnership. In particular, the development of work patterns for men and women that are more supportive of family life will benefit both employees and the enterprises they work for.

300. Workers in firms and on farms are especially in need of stronger institutional protection, for their jobs and livelihood are particularly vulnerable to the decisions of others in today's highly competitive labor market. Several arrangements are gaining increasing support in the United States: profit sharing by the workers in a firm; enabling employees to become company stockholders; granting employees greater participation in determining the conditions of work; cooperative ownership of the firm by all who work within it; and programs for enabling a much larger number of Americans, regardless of their employment status, to become shareholders in successful corporations. Initiatives of this sort can enhance productivity, increase the profitability of firms, provide greater job security and work satisfaction for employees, and reduce adversarial relations.(7) In our 1919 Program of Social Reconstruction we observed "the full possibilities of increased production will not be realized so long as the majority of workers remain mere wage earners. The majority must somehow become owners, at least in part, of the instruments of production."(8) We believe this judgment remains generally valid today.

301. None of these approaches provides a panacea, and all have certain drawbacks. Nevertheless we believe that continued research and experimentation with these approaches will be of benefit. Catholic social teaching has endorsed on many occasions innovative methods for increasing worker participation within firms.(9) The appropriateness of these methods will depend on the circumstances of the company or industry in question and on their effectiveness in actually increasing a genuinely cooperative approach to shaping decisions. The most highly publicized examples of such efforts have been in large firms facing serious financial crises. If increased participation and collaboration can help a firm avoid collapse, why should it not give added strength to healthy businesses? Cooperative ownership is particularly worthy of consideration in new entrepreneurial enterprises.(10)

302. Partnerships between labor and management are possible only when both groups possess real freedom and power to influence decisions. This means that unions ought to continue to play an important role in moving toward greater economic participation within firms and industries. Workers rightly reject calls for less adversarial relations when they are a smoke screen for demands that labor make all the concessions. For partnership to be genuine it must be a two-way street, with creative initiative and a willingness to cooperate on all sides.

303. When companies are considering plant closures or the movement of capital, it is patently unjust to deny workers any role in shaping the outcome of these difficult choices.(11) In the heavy manufacturing sector today, technological change and international competition can be the occasion

of painful decisions leading to the loss of jobs or wage reductions. While such decisions may sometimes be necessary, a collaborative and mutually accountable model of industrial organization would mean that workers not be expected to carry all the burdens of an economy in transition. Management and investors must also accept their share of sacrifices, especially when management is thinking of closing a plant or transferring capital to a seemingly more lucrative or competitive activity. The capital at the disposal of management is in part the product of the labor of those who have toiled in the company over the years, including currently employed workers.(12) As a minimum, workers have a right to be informed in advance when such decisions are under consideration, a right to negotiate with management about possible alternatives, and a right to fair compensation and assistance with retraining and relocation expenses should these be necessary. Since even these minimal rights are jeopardized without collective negotiation, industrial cooperation requires a strong role for labor unions in our changing economy.

304. Labor unions themselves are challenged by the present economic environment to seek new ways of doing business. The purpose of unions is not simply to defend the existing wages and prerogatives of the fraction of workers who belong to them, but also to enable workers to make positive and creative contributions to the firm, the community, and the larger society in an organized and cooperative way.(13) Such contributions call for experiments with new directions in the U.S. labor movement.

305. The parts played by managers and shareholders in U.S. corporations also need careful examination. In U.S. law, the primary responsibility of managers is to exercise prudent business judgment in the interest of a profitable return to investors. But morally this legal responsibility may be exercised only within the bounds of justice to employees, customers, suppliers, and the local community. Corporate mergers and hostile takeovers may bring greater benefits to shareholders, but they often lead to decreased concern for the well-being of local communities and make towns and cities more vulnerable to decisions made from afar.

306. Most shareholders today exercise relatively little power in corporate governance.(14) Although shareholders can and should vote on the selection of corporate directors and on investment questions and other policy matters, it appears that return on investment is the governing criterion in the relation between them and management. We do not believe this is an adequate rationale for shareholder decisions. The question of how to relate the rights and responsibilities of shareholders to those of the other people and communities affected by corporate decisions is complex and insufficiently understood. We, therefore, urge serious, long-term research and experimentation in this area. More effective ways of dealing with these questions are essential to enable firms to serve the common good.

B. Local and Regional Cooperation

307. The context within which U.S. firms do business has direct influence on their ability to contribute to the common good. Companies and indeed whole industries are not sole masters of their own fate. Increased cooperative efforts are needed to make local, regional, national, and international conditions more supportive of the pursuit of economic justice.

308. In the principle of subsidiarity, Catholic social teaching has long stressed the importance of small and intermediate-sized communities or institutions in exercising moral responsibility. These mediating structures link the individual to society as a whole in a way that gives people greater freedom and power to act.(15) Such groups include families, neighborhoods, church

congregations, community organizations, civic and business associations, public interest and advocacy groups, community development corporations and many other bodies. All these groups can play a crucial role in generating creative partnerships for the pursuit of the public good on the local and regional level.

309. The value of partnership is illustrated by considering how new jobs are created. The development of new businesses to serve the local community is key to revitalizing areas hit hard by unemployment.(16) The cities and regions in greatest need of these new jobs face serious obstacles in attracting enterprises that can provide them. Lack of financial resources, limited entrepreneurial skill, blighted and unsafe environments, and a deteriorating infrastructure create a vicious cycle that makes new investment in these areas more risky and therefore less likely.

310. Breaking out of this cycle will require a cooperative approach that draws on all the resources of the community.(17) Community development corporations can keep efforts focused on assisting those most in need. Existing business, labor, financial, and academic institutions can provide expertise in partnership with innovative entrepreneurs. New cooperative structures of local ownership will give the community or region an added stake in businesses and even more important give these businesses a greater stake in the community.(18) Government on the local, state, and national levels must play a significant role, especially through tax structures that encourage investment in hard hit areas and through funding aimed at conservation and basic infrastructure needs. Initiatives like these can contribute to a multilevel response to the needs of the community.

311. The Church itself can work as an effective partner on the local and regional level. First-hand knowledge of community needs and commitment to the protection of the dignity of all should put Church leaders in the forefront of efforts to encourage a community-wide cooperative strategy. Because churches include members from many different parts of the community, they can often serve as mediator between groups who might otherwise regard each other with suspicion. We urge local church groups to work creatively and in partnership with other private and public groups in responding to local and regional problems.

C. Partnership in the Development of National Policies

312. The causes of our national economic problems and their possible solutions are the subject of vigorous debate today. The discussion often turns on the role the national government has played in creating these problems and could play in remedying them. We want to point to several considerations that could help build new forms of effective citizenship and cooperation in shaping the economic life of our country.

313. First, while economic freedom and personal initiative are deservedly esteemed in our society, we have increasingly come to recognize the inescapably social and political nature of the economy. The market is always embedded in a specific social and political context. The tax system affects consumption, saving and investment. National monetary policy, domestic and defense programs, protection of the environment and worker safety, and regulation of international trade all shape the economy as a whole. These policies influence domestic investment, unemployment rates, foreign exchange, and the health of the entire world economy.

314. The principle of subsidiarity calls for government intervention when small or intermediate groups in society are unable or unwilling to take the steps needed to promote basic justice. Pope John XXIII observed that the growth of more complex relations of interdependence among citizens

has led to an increased role for government in modern societies.(19) This role is to work *in partnership with* the many other groups in society, helping them fulfill their tasks and responsibilities more effectively, not replacing or destroying them. The challenge of today is to move beyond abstract disputes about whether more or less government intervention is needed, to consideration of creative ways of enabling government and private groups to work together effectively.

315. It is in this light that we understand Pope John Paul II's recommendation that "society make provision for overall planning" in the economic domain.(20) Planning must occur on various levels, with the government ensuring that basic justice is protected and also protecting the rights and freedoms of all other agents. In the Pope's words:

In the final analysis this overall concern weighs on the shoulders of the state, but it cannot mean one-sided centralization by the public authorities. Instead what is in question is a just and rational coordination within the framework of which the initiative of individuals, free groups, and local work centers and complexes must be safeguarded. (21)

316. We are well aware that the mere mention of economic planning is likely to produce a strong negative reaction in U.S. society. It conjures up images of centralized planning boards, command economies, inefficient bureaucracies, and mountains of government paperwork. It is also clear that the meaning of "planning" is open to a wide variety of interpretations and takes very different forms in various nations.(22) The Pope's words should not be construed as an endorsement of a highly centralized form of economic planning, much less a totalitarian one. His call for a "just and rational coordination" of the endeavors of the many economic actors is a call to seek creative new partnership and forms of participation in shaping national policies.

317. There are already many forms of economic planning going on within the U.S. economy today. Individuals and families plan for their economic future. Management and labor unions regularly develop both long- and short-term plans. Towns, cities, and regions frequently have planning agencies concerned with their social and economic future. When state legislatures and the U.S. Congress vote on budgets or on almost any other bill that comes before them, they are engaged in a form of public planning. Catholic social teaching does not propose a single model for political and economic life by which these levels are to be institutionally related to each other. It does insist that reasonable coordination among the different parts of the body politic is an essential condition for achieving justice. This is a moral precondition of good citizenship that applies to both individual and institutional actors. In its absence no political structure can guarantee justice in society or the economy. Effective decisions in these matters will demand greater cooperation among all citizens. To encourage our fellow citizens to consider more carefully the appropriate balance of private and local initiative with national economic policy, we make several recommendations.

318. *First, in an advanced industrial economy like ours, all parts of society, including government, must cooperate in forming national economic policies.* Taxation, monetary policy, high levels of government spending, and many other forms of governmental regulation are here to stay. A modern economy without governmental interventions of the sort we have alluded to is inconceivable. These interventions, however, should help, not replace, the contributions of other economic actors and institutions and should direct them to the common good. The development of effective new forms of partnership between private and public agencies will be difficult in a situation as immensely complex as that of the United States in which various aspects of national policy seem to contradict one another.(23) On the theoretical level, achieving greater coordination will make demands on those with the technical competence to analyze the relationship among

different parts of the economy. More practically, it will require the various subgroups within our society to sharpen their concern for the common good and moderate their efforts to protect their own short-term interests.

319. *Second, the impact of national economic policies on the poor and the vulnerable is the primary criterion for judging their moral value.* Throughout this letter we have stressed the special place of the poor and the vulnerable in any ethical analysis of the U.S. economy. National economic policies that contribute to building a true commonwealth should reflect this by standing firmly for the rights of those who fall through the cracks of our economy: the poor, the unemployed, the homeless, the displaced. Being a citizen of this land means sharing in the responsibility for shaping and implementing such policies.

320. *Third, the serious distortion of national economic priorities produced by massive national spending on defense must be remedied.* Clear-sighted consideration of the role of government shows that government and the economy are already closely intertwined through military research and defense contracts. Defense-related industries make up a major part of the U.S. economy and have intimate links with both the military and civilian government; they often depart from the competitive model of free-market capitalism. Moreover, the dedication of so much of the national budget to military purposes has been disastrous for the poor and vulnerable members of our own and other nations. The nation's spending priorities need to be revised in the interests of both justice and peace.(24)

321. We recognize that these proposals do not provide a detailed agenda. We are also aware that there is a tension between setting the goals for coherent policies and actually arriving at them by democratic means. But if we can increase the level of commitment to the common good and the virtues of citizenship in our nation, the ability to achieve these goals will greatly increase. It is these fundamental moral concerns that lead us as bishops to join the debate on national priorities.

D. Cooperation at the International Level

322. If our country is to guide its international economic relationships by policies that serve human dignity and justice, we must expand our understanding of the moral responsibility of citizens to serve the common good of the entire planet. Cooperation is not limited to the local, regional, or national level. Economic policy can no longer be governed by national goals alone. The fact that the "social question has become worldwide"(25) challenges us to broaden our horizons and enhance our collaboration and sense of solidarity on the global level. The cause of democracy is closely tied to the cause of economic justice. The unfinished business of the American experiment includes the formation of new international partnerships, especially with the developing countries, based on mutual respect, cooperation, and a dedication to fundamental justice.

323. The principle of subsidiarity calls for government to intervene in the economy when basic justice requires greater social coordination and regulation of economic actors and institutions. In global economic relations, however, no international institution provides this sort of coordination and regulation. The UN system, including the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade, does not possess the requisite authority. Pope John XXIII called this institutional weakness a "structural defect" in the organization of the human community. The structures of world order, including economic ones, "no longer correspond to the objective requirements of the universal common good."(26)

324. Locked together in a world of limited material resources and a growing array of common problems, we help or hurt one another by the economic policies we choose. All the economic agents in our society, therefore, must consciously and deliberately attend to the good of the whole human family. We must all work to increase the effectiveness of international agencies in addressing global problems that cannot be handled through the actions of individual countries. In particular we repeat our plea made in *The Challenge of Peace* urging "that the United States adopt a stronger supportive leadership role with respect to the United Nations."(27) In the years following World War II, the United States took the lead in establishing multilateral bodies to deal with postwar economic problems. Unfortunately, in recent years this country has taken steps that have weakened rather than strengthened multilateral approaches. This is a shortsighted policy and should be reversed if the long-term interests of an interdependent globe are to be served.(28) In devising more effective arrangements for pursuing international economic justice, the overriding problem is how to get from where we are to where we ought to be. Progress toward that goal demands positive and often difficult action by corporations, banks, labor unions, governments, and other major actors on the international stage. But whatever the difficulty, the need to give priority to alleviating poverty in developing countries is undeniable; and the cost of continued inaction can be counted in human lives lost or stunted, talents wasted, opportunities foregone, misery and suffering prolonged, and injustice condoned.

325. Self-restraint and self-criticism by all parties are necessary first steps toward strengthening the international structures to protect the common good. Otherwise, growing interdependence will lead to conflict and increased economic threats to human dignity. This is an important long-term challenge to the economic future of this country and its place in the emerging world economic community

FOOTNOTES

Chapter IV

1 *Octogesima Adveniens*, 24.

2 For different analyses along these lines with quite different starting points see Martin Carnoy, Derek Shearer and Russell Rumberger, *A New Social Contract* (New York: Harper and Row, 1983); Amatai Etzioni, *An Immodest Agenda: Reconstructing America Before the 21st Century* (New York: McGraw-Hill, 1983); Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977), esp. 346-348; George C. Lodge, *The New American Ideology* (New York: Alfred A. Knopf, 1975); Douglas Sturm, "Corporations, Constitutions and Covenants," *Journal of the American Academy of Religion*, 41 (1973): 331-55; Lester Thurow, *The Zero-Sum Society* (New York: Basic Books, 1980), esp. ch. 1; Roberto Mangabeira Unger, *Knowledge and Politics* (New York: Free Press, 1975); George F. Will, *Statecraft as Soulcraft: What Government Does* (New York: Simon and Schuster, 1982), esp. ch. 6.

3 *Pastoral Constitution*, 68. See *Mater et Magistra*, 75-77.

4 Charles W. Powers provided a helpful discussion of these matters in a paper presented at a conference on the first draft of this letter sponsored by the Harvard University Divinity School and the Institute for Policy Studies, Cambridge, Massachusetts, March 29-31, 1985.

5 See John Paul II, "The Role of Business in a Changing Workplace," 3, *Origins* 15 (February 6, 1986): 567.

6 *Rerum Novarum*, 28. For an analysis of the relevant papal teachings on institutions of collaboration and partnership, see John Cronin, *Catholic Social Principles: The Social Teaching of the Catholic Church Applied to American Economic Life* (Milwaukee: Bruce, 1950), ch. VII; Oswald von Nell-Breuning, *Reorganization of Social Economy: The Cosical Encyclical Developed and Explained*, trans. Bernard W. Dempsey (Milwaukee: Bruce, 1936), chs. X-XII; Jean-Yves Calvez and Jacques Perrin, *The Church and Social Justice*, trans. J. R. Kirwan (Chicago: Regnery, 1961), ch. XIX.

7 Michael Conte, Arnold S. Tannenbaum and Donna McCulloch, *Employee Ownership*, Research Report Series, Institute for Social Research (Ann Arbor, Mich.: University of Michigan, 1981); Robert A. Dahl, *A Preface to Economic Democracy* (Berkeley, Calif.: University of California Press, 1985); Harvard Business School, "The Mondragon Cooperative Movement," case study prepared by David P. Ellerman (Cambridge, Mass.: Harvard Business School, n.d.); Robert Jackall and Henry M. Levin, eds., *Worker Cooperatives in America* (Berkeley, Calif.: University of California Press, 1984); Derek Jones and Jan Svejnar, eds., *Participatory and Self-Managed Firms: Evaluating Economic Performance* (Lexington, Mass.: D.C. Heath, 1982); Irving H. Siegel and Edgar Weinberg, *Labor-Management Cooperation: The American Experience* (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 1982); Stuart M. Speiser, "Broadened Capital Ownership—The Solution to Major Domestic and International Problems," *Journal of Post-Keynesian Economics VIII* (1985): 426-434; Jaroslav Vanek, ed., *Self-Management: Economic Liberation of Man* (London: Penguin, 1975); Martin L. Weitzman, *The Share Economy* (Cambridge, Mass.: Harvard University Press, 1984).

8 *Program of Social Reconstruction in Justice in the Marketplace*, 381.

9 *Mater et Magistra*, 32, 77, 85-103; *On Human Work*, 14.

10 For examples of worker-owned and operated enterprises supported by the Campaign for Human Development's revolving loan fund see CHD's *Annual Report* (Washington, D.C.: United States Catholic Conference).

11 *Quadragesimo Anno* states the basic norm on which this conclusion is based: "It is wholly false to ascribe to property alone or to labor alone whatever has been obtained through the combined effort of both, and it is wholly unjust for either, denying the efficacy of the other, to arrogate to itself whatever has been produced" (53).

12 *On Human Work*, 12.

13 *Ibid.*, 20. This point was well made by John Cronin twenty-five years ago: "Even if most injustice and exploitation were removed, unions would still have a legitimate place. They are the normal voice of labor, necessary to organize social life for the common good. There is positive need for such organization today, quite independently of any social evils which may prevail. Order and harmony do not happen; they are the fruit of conscious and organized effort. While we may hope that the abuses which occasioned the rise of unions may disappear, it does not thereby follow that unions will have lost their function. On the contrary, they will be freed from unpleasant, even though temporarily necessary, tasks and able to devote all their time and efforts to a better organization of social

life" *Catholic Social Principles*, 418. See also AFL-CIO Committee on the Evolution of Work, *The Future of Work* (Washington, D.C.: AFL-CIO, 1983).

14 For a classic discussion of the relative power of managers and shareholders see A.A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New York: Macmillan, 1932).

15 Peter L. Berger and Richard John Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy* (Washington, D.C.: American Enterprise Institute, 1977).

16 United States Small Business Administration, *1978 Annual Report* (Washington, D.C.: Government Printing Office, 1979).

17 For recent discussion from a variety of perspectives see: Robert Friedman and William Schweke, eds., *Expanding the Opportunity to Produce: Revitalizing the American Economy Through New Enterprise Development: A Policy Reader* (Washington, D.C.: Corporation for New Enterprise Development, 1981); Jack A. Meyer, *Meeting Human Needs: Toward a New Public Philosophy* (Washington, D.C.: American Enterprise Institute, 1982); Committee for Economic Development, *Jobs for the Hard-to-Employ: New Directions for a Public-Private Partnership* (New York: Committee for Economic Development, 1978); Gar Alperovitz and Jeff Faux, *Rebuilding America: A Blueprint for the New Economy* (New York: Pantheon Books, 1984).

18 Christopher Mackin, *Strategies for Local Ownership and Control: A Policy Analysis* (Somerville, Mass.: Industrial Cooperative Association, 1983).

19 *Mater et Magistra*" 59 and 62.

20 *On Human Work*" 18.

21 *Ibid.*

22 For examples and analysis of different meanings of economic planning see Naomi Caiden and Aaron Wildavsky, *Planning and Budgeting in Poor Countries* (New York: Wiley, 1974); Robert Dahl and Charles E. Lindblom, *Politics, Economics and Welfare: Planning and Politico-Economic Systems Resolved Into Basic Social Processes* (Chicago: University of Chicago Press, 1976); Stephen S. Cohen, *Modern Capitalist Planning: The French Model* (Berkeley: University of California Press, 1977); Albert Waterston, *Development Planning: Lessons of Experience* (Baltimore: Johns Hopkins Press, 1965); *Rebuilding America*, chs. 14, 15.

23 For example, many students of recent policy point out that monetary policy on the one hand and fiscal policies governing taxation and government expenditures on the other have been at odds with each other, with larger public deficits and high interest rates as the outcome. See Alice M. Rivlin, ed., *Economic Choices 1984* (Washington, D.C.: The Brookings Institution, 1984), esp. ch. 2.

24 *The Challenge of Peace*, 270-271.

25 *On the Development of Peoples*, 3.

26 *Peace on Earth*, 134-135.

27 *The Challenge of Peace*, 268.

28 See Robert O. Keohane and Joseph S. Nye Jr., "Two Cheers for Multilateralism," *Foreign Policy* 60 (Fall 1985): 148-167.